



Department of Justice

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Western District of Kentucky**

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LOUISVILLE WOMAN PLEADS GUILTY TO \$1.1 MILLION INSURANCE FRAUD SCHEME

– Insurance agent created multiple fake companies to defraud insurance premium lenders

LOUISVILLE, KY - **Gail Kubovchik**, age 57, of 6813 Carslaw Court, Prospect, Kentucky, pled guilty to one count of mail fraud, U.S. Attorney David L. Huber of the Western District of Kentucky announced today.

Kubovchik admitted that, from on or about December 2005 until February 2007, she owned and operated The Service Agency, a commercial insurance agency located in Louisville, Kentucky. During this period, Kubovchik knowingly executed a scheme to defraud multiple insurance companies and insurance premium finance companies by means of false and fraudulent pretenses in the total amount of \$1,104,066.

U.S. Attorney Huber praised the work of the Kentucky Office of Insurance and cited this as another example of diligent state and local police work. Approximately one-third of our cases are due to local and state law enforcement agencies.

Julie Mix McPeak, Executive Director of the Kentucky Office of Insurance, stated, "Our fraud investigators should be commended for the outstanding work completed on this case. We are pleased with the cooperation we received from other law enforcement agencies. Protecting consumers remains one of our key responsibilities as insurance regulators."

The scheme to which she pleaded guilty involved Kubovchik fraudulently applying for and receiving dozens of bogus insurance policies on railroad cars that did not exist. She applied for and received insurance policies for railroad cars from multiple insurance companies, including the Fireman's Fund, Zurich Insurance, and United Shortline. She was able to obtain the bogus insurance policies by creating fictitious companies that allegedly owned the railroad cars. To accomplish this, she would create the fictitious businesses using various internet Web sites and then obtain actual insurance policies on the railroad cars allegedly owned by the bogus companies. She would then obtain financing for the bogus insurance policies from insurance premium finance companies, including Baytree Finance Company, Arizona Premium Finance Company, and Premium Payment Plan. It is a common practice in the insurance industry to obtain loans to finance large insurance policy premiums. Kubovchik caused the three finance companies to finance dozens of bogus insurance policies.

In addition, Kubovchik's scheme to defraud involved her obtaining multiple premium finance loans, each from different finance companies, on the same bogus insurance policy. She would then use the proceeds from the first loans to pay the monthly premiums on the bogus insurance policy and then would keep the second loan's proceeds for herself.

For each of the fraudulent loans obtained on the bogus insurance policies, Kubovchik caused documents to be mailed in the United States Mail by the premium finance companies, including Baytree Finance Company, Arizona Premium Finance Company, and Premium Payment Plan.

Ultimately, Kubovchik caused 45 fraudulent loans to be funded by Baytree Finance Company, 3 by Arizona Premium Finance Company, and 31 by Premium Payment Plan. The total loss was approximately \$1,104,066.

The maximum potential penalties are 20 years imprisonment, a \$250,000 fine, and supervised release for a period of 3 years.

The case was prosecuted by Assistant United States Attorney Bryan Calhoun, and it was investigated by the Federal Bureau of Investigation and the Kentucky Office of Insurance.

The plea was entered before Dave Whalin, Magistrate Judge, United States District Court, Louisville, Kentucky.

Kubovchik is scheduled to be sentenced before Chief Judge John G. Heyburn II on January 7, 2008, at 10:00 a.m., in Louisville, Kentucky.

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